THE SECOND-CLASS POSTAL RATE CONTROVERSY

BY

IRVING ISAAK RAINES

A.B., University of Illinois, 1942
A.M., University of Illinois, 1949

AN ABSTRACT OF A THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN MASS COMMUNICATIONS
IN THE GRADUATE COLLEGE OF THE
UNIVERSITY OF ILLINOIS, 1952

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Introduction

Newspapers and other periodical publications have enjoyed a low rate of postage in the United States since the beginning of its history. Justification for a preferential rate of postage for such matter is found in the promotion of the commercial interests of the nation through these media, and in the social and cultural advancement of its people.

In recent years, with the tremendous increase in total circulation of newspapers and magazines, the spending of public funds for the purpose of subsidizing the distribution of periodical literature has increased sharply. From 1944 to 1950, the deficit ascribed to the second-class service increased approximately one-hundred percent. The values which served as criteria for public acceptance of this burden in the early years of the Republic must now be reviewed and critically appraised with respect to our times.

Such a reappraisal has been attempted repeatedly in Congressional hearings over the years, but invariably the proceedings become mired in voluminous, conflicting and misleading testimony. The nature of the conflict, as well as the facts which frame it, are soon lost to view. The population which bears the burden of a deficit estimated at $200,000,000 for the fiscal year 1951 knows little of the issues in controversy, nor indeed of the deficit itself. This very propensity toward silence in the face of public concern in matters touching the economic self-interest of the press has, rightly or wrongly, garbed the second-class postal rate controversy in a conspiratorial mantle.

It is the purpose of this monograph to illuminate the misty historical and economic facts surrounding the second-class postal rate controversy, and to expose the arguments, fallacious or otherwise, which have so long served to confuse and conceal the basic issues.

1. History Of Preferential Rates Of Postage For Periodical Publications

The historical antecedents of preferential treatment for periodical literature are rooted in the British tradition, later transplanted to the new world, of regarding newspaper distribution as forming an acceptable, albeit not at first a legally recognized part of the emoluments of deputy-postmasters. It was not until 1764 that this privilege was explicitly recognized by statute in England, while the ordinance of 1782 legalized this privilege in the United States. Thus, at its inception, a privileged rate of postage for newspapers was neither a privilege of the people nor of the press, but rather of and for the political appointees of the Crown and of the Continental Congress.

During the first half-century of its existence, the United States Post Office was viewed as a source of national revenue. It was during this period that the paradox inherent in the party system of government, in which the party in power- which is also the lawful government of the United States- is legally enpowered to tax for purposes of government, but is without authority to raise funds to support its activities as the party in power. With the rise of Jacksonian Democracy, this enigma was solved by means of channelizing legally expendable funds into the hands of party adherents and financial supporters. For this purpose, the Post Office Department, with its highly centralized political control, the vast scope of its enterprise, its capacity for employment, and its numerous contracts for services and materials, was a boon without peer to those entrusted with the administration of the political party.

The Post Office Department has served the "spoils system" in two ways: as a source of funds for party purposes through the medium of jobs and/or contracts awarded to party supporters, and by gaining for this legal system of plunder the silent acquiescence of the American press by granting to the press exceptional postal privileges. This interdependence of

the press, the post office, and the party in power reached its inevitable culmination in the Mail Classification Act of 1879, drawn up by publishers meeting in caucus at the invitation of certain Congressmen, which established on a permanent, lawful basis the privileged position of the press, and made of the postal service a vassal subject to the exercise of political prerogative under a "safe conduct" guarantee underwritten by the newspapers and magazines of the nation.

2. Economic Aspects Of Second-Class Postal Rates

Attempts to determine the costs in each of the various postal services can be traced to the very beginnings of the Post Office, but the early administrative inquiries into costs were generally crude, inaccurate, and unsystematic. Since 1926, the Post Office Department has conducted systematic surveys, the results of which have been made public in annual cost ascertainment reports. The opinion of competent consultants outside of the Post Office Deepartment is that the cost ascertainment system, as now constituted, represents a competent and dependable analysis of postal receipts and expenditures for the various mail classifications and services.

An analysis of the data provided by these cost ascertainment reports indicates that since 1926 second-class mail has consistently been carried at a loss. The consensus of judgment among a long succession of Postmasters General, and of investigating Committees, prior to 1926, is that newspapers and magazines have at no time paid their way through the mails.

Since existing second-class rates are, in effect, a federal subsidy to the press, it follows that these rates are also a threat to the integrity and freedom of the press. This threat is real. It appears in such instances as the Milwaukee Leader case and the Esquire case. The economic consequences to an individual publication of the loss of second-class privileges are so severe that the mere threat of exclusion from the second-class service may prove an effective lever in the hands

of government officials to force compliance with government views regarding editorial content.

It is difficult to evaluate the ability of the publishing industry to meet an increase in second-class rates designed to make this service substantially self-sustaining because of a dearth of specific information. However, when various localized studies are viewed in perspective, evidence is found to support the contention that circulation costs have lagged behind the increase in other publishing costs, and that postage costs have not increased in the same ratio as other circulation costs.

The postwar period has witnessed record-breaking increases in circulation and in advertising income. It seems unreasonable, therefore, to assume that the publishing industry is unable to meet legitimate distribution costs. A study of six daily newspapers and six monthly magazines tends to substantiate this view.

3. Conclusions And Recommendations

In a political democracy, the government and the press are mutually dependent. The press must rely on the authority of the state to maintain its independent status free from the arbitrary interference of the party in power. The government rests on the support of the electorate which, in turn, depends on the press to provide the stimulus for public discussion which marks the formative stages of public opinion. This interdependence of press and government has tended to stimulate in all governments a keen interest in the activities of the press. Democratic governments have characteristically walked a tight line between power and persuasion. It is of grave concern to the electorate that the position of the second-class postal service on the continuum between power and persuasion be clearly defined. To be free, the press must disentangle itself from political subvention.

In establishing rates designed to meet the cost of each of the various mail services, the Post Office Deepartment has an

obligation to its patrons to exert every effort to maximize the efficiency of the postal service. In terms of long-range objectives, the goal should be the best possible service for sale at the lowest possible rate commensurate with a sound and progressive labor policy. With this aim in mind, the following recommendations are advanced:

1. that Congress take such measures as may prove necessary and desirable to enable the Post Office Department to operate on a business-like basis.
2. that Congress adopt a uniform policy of rate determination which will place each class of mail service on a substantially self-sustaining basis.
3. that the Post Office Department limit its activities, insofar as it is practicable to do so, to those of a major vehicle for the communication of intelligence.
4. that the present admirable practice of selecting top administrative personnel from the postal service be continued.
5. that Congress establish a Joint Committee on Post Office Policy with a view towards clarifying long-range objectives.

VITA

The author of this monograph was born in New York on August 12, 1915. He was graduated from De Witt Clinton High School in 1932, and subsequently attended the Guggenheim College of New York University, Syracuse University, and the University of Illinois, receiving the degree of Bachelor of Arts from the last named institution in February, 1942. He served in the armed forces until January, 1946, at which time he entered business. In September, 1948, he entered the Graduate College of the University of Illinois. During the ensuing three years he was an Assistant in the College of Commerce, and a Fellow of the Foundation for Economic Education. He has been appointed to an Associate Professorship in the College of Business and Public Administration of the University of Maryland for the 1951-52 academic year. He is a member of the American Marketing Association, the Association for Education in Journalism, and the Industrial Relations Research Association.